

Information Sheet
Missouri-American Water Co.
Request For Rate Increases

(Case Nos. WR-2010-0131 & SR-2010-0135)

Introduction: The Missouri Public Service Commission.

The Missouri Public Service Commission regulates investor-owned electric, natural gas, steam, water and sewer and telephone companies. The Commission ensures the public has access to safe, reliable and reasonably priced utility service. The Commission balances the interests of the public – ratepayers – as well as company shareholders. In proceedings before the Commission, rates are set to give the utility company an opportunity – but not a guarantee – to earn a reasonable return on its investment after recovering its prudently incurred expenses.

In addition, the Commission regulates the state's rural electric cooperatives and municipally-owned natural gas utilities for operational safety. The Commission also oversees service territory issues involving investor-owned electric utilities, rural electric cooperatives and municipally-owned electric utilities as well as those involving privately-owned water utilities, public water supply districts and municipally-owned water districts.

Utility services and infrastructure are essential to the economy of Missouri. Virtually every Missouri citizen receives some form of utility service (electric, natural gas, telecommunications, water or sewer) from a company regulated by the Missouri Public Service Commission.

When did Missouri-American Water Company file its request and what is the company seeking?

On October 30, 2009, Missouri-American filed a request before the Missouri Public Service Commission, seeking to increase its water operating revenues by approximately \$48.7 million (22.5%). Sewer revenues would be increased by \$143,595 (26%).

According to the company, the rate request is designed to recover costs associated with on-going improvements and is the result of increasing costs for delivering service. Between October 1, 2008 and April 30, 2010, the company says it will have invested approximately \$96 million in its system. The improvements include investments in water plants, pumps and pipelines.

As part of this filing, Missouri-American is seeking Commission approval of a new reduced rate for qualified low-income customers. The proposed new rate structure would reduce the fixed charge component of the water bill for customers whose income falls below the poverty level defined by the federal Low Income Home Energy Assistance Program.

Who are the parties in this case?

- 1. Missouri-American Water Company (the applicant).**
- 2. The staff of the Missouri Public Service Commission.**
 - a. Staff is a neutral party who proposes a position that it believes will be the best balance between the needs of the utility and the needs of the public.
- 3. The Office of the Public Counsel.**
 - a. The Office of the Public Counsel represents the general public, most specifically residential and small business customers.
- 4. City of Joplin**
- 5. Triumph Foods, LLC**
- 6. City of St. Joseph**
- 7. City of Riverside**
- 8. Metropolitan St. Louis Sewer District**
- 9. Public Water Supply District No. 1 – Andrew County**
- 10. Public Water Supply District No. 2 – Andrew County**
- 11. Public Water Supply District No. 1 – DeKalb County**
- 12. Missouri Energy Group**
- 13. St. Louis Fire Sprinkler Association**
- 14. City of Warrensburg**
- 15. AG Processing, Inc.**
- 16. Utility Workers of America, Local No. 335**
- 17. City of Jefferson**

What is the staff of the Missouri Public Service Commission recommending in this case?

The Staff of the Missouri Public Service Commission has recommended that revenues be increased by approximately \$20.8 million, based on the midpoint of its return on equity range (ROE) of 9.25%; this includes an estimated true-up allowance amount of \$5.1 million. The Staff's recommendation was filed in its Cost of Service Report on March 9 **and could change with the updating of information as the case moves forward.**

MAJOR ISSUES

The following are the major issues that exist between the staff and the company as a result of their respective direct filings.

- **Return on Equity (ROE)** – (Issue Value: \$16.6 million) -- The Staff has recommended a 9.25% ROE at the midpoint. The company is seeking an 11.6 % ROE. Generally speaking, return on equity is shareholder profit on investment in the company.

- **Plant in Service** – (\$4.7 million) The company's direct filing utilizes an estimated plant in service as of April 30, 2010. The Staff's direct filing is based upon plant in service as of October 31, 2009. Much of this difference will no longer exist after the true-up audit.
- **Revenue** – (\$2.1 million) The Staff annualized and normalized revenues based upon the number of customers as of October 31, 2009.
- **Payroll** – (\$3.7 million) The Staff's annualized payroll is based upon employee levels and wages as of October 31, 2009. The company used a planned employee level through April 30, 2010, which included current vacancies. Much of this difference will no longer exist after the true-up audit.

Has the Commission decided this case?

No. The Commission will review all of the information filed in this case and then render a decision based on the evidence. By law, the Commission has 11 months from the company's filing to make a decision.

Hearings are scheduled for May 17-21, 2010 and May 24-28, 2010. These hearings will be held in Room 310 of the Governor Office Building in Jefferson City, 200 Madison Street.

The evidentiary hearing is open to the public, however, public comment is not allowed during the evidence portion of the case. Parties in this case have filed testimony and may present additional testimony through cross-examination if no settlement is reached.

Only witnesses who have been subpoenaed, filed testimony in the case, or are otherwise called to appear, will be allowed to testify during the evidentiary hearing. (The hearing will be broadcast over the Internet -- www.psc.mo.gov – click the "Watch Meetings/Hearings" link on the right side of the page)

What is the purpose of a local public hearing: May I testify?

Yes. You may testify or you may submit a written statement. This local public hearing gives you the chance to express your opinions, concerns and requests on the record.

A court reporter will transcribe a record of everything that is said. Your comments at today's hearing will become part of the case record.

To avoid repetitive testimony, and provide input from everyone in attendance, a group may choose to identify an individual or two or three people to speak on behalf of the entire group. If you wish to do so, please notify the judge at the beginning of the hearing. The judge will then allow those speakers an expanded time period in which to speak on behalf of the entire group. At the end, the group can offer a list of names of the members who wish to go on record as joining in the comments of those speakers. That list will also be a part of the permanent record.

Will I be able to ask the Commissioners questions during the local public hearing?

No. You may express your concerns to the Commission, but the Commissioners will not be able to answer your questions. The Commissioners are acting as judges during this hearing, and have not yet decided this case. They are prohibited, by law, from expressing an opinion until they have heard all of the evidence.

May I ask questions of the other parties?

During the actual hearing, questions may be asked by the judge and Commissioners -- and they will only ask questions of the witness who is currently testifying. Only one person can testify at a time.

There will be an information session before the hearing. **You should take the opportunity to ask questions** of the other parties during that 30-minute information session. You may be able to continue your conversation with the other parties after the local hearing is over.

**Written comments may be mailed to:
Public Service Commission, P.O. Box 360
Jefferson City, MO 65102-0360**

Sent electronically to: pscinfo@psc.mo.gov

**Or through the commission's website:
WWW.PSC.MO.GOV
(Please include a reference to the case numbers
WR-2010-0131 & SR-2010-0135)**

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(Please include a reference to the case numbers
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PSC TOLL-FREE HOTLINE: 1-800-392-4211